

MEMORANDUM

INTERMOUNTAIN POWER SERVICE CORPORATION

TO: George W. Cross Page 1 of 1

FROM: Dennis K. Killian

DATE: November 10, 2003

SUBJECT: Revised Economics for SAH Element Replacement
Capital Project IGS03-02

In accordance with the Letter of Intent issued to Alstom Power Air Preheater Company for purchasing SAH Hardware, we are providing the following updated economic justification which takes into consideration the cost escalation of the project. The original budgeted amount for hardware was \$2,400,000 (both units). The increased amount as shown on the Letter of Intent is \$2,999,100. The primary reasons for the increase came from the cost of the replacement element material and a 60 percent increase in the number of transport trucks.

Benefit/Cost: 2.92
Rate of Return: 33%
Payback Period: 3.3 Years
Economic Life: 15 Years
PV Savings: \$29,944,877

We have \$1,750,000 budgeted for this project in 2003-04 and Alstom has agreed to defer a payment to insure that we stay under budget. The budget for 2004-05 will have to be increased to cover the deferred payment and the increase in that year. We will postpone or reduce the scope of other projects to make sure that the 2004-05 budget remains under the amount on the preliminary budget submitted in September.

Four requisitions have been created to date for the associated costs of this project.

190854: Requisition for hardware based on original Alstom bid - \$2,405,200
194448: Requisition for installation - \$1,100,000
194468: Requisition for additional cost of hardware per Alstom proposal 3GS-1034B - \$410,925
194470: Requisition for transportation cost - \$336,100